

**CITY OF ASHEVILLE  
HOUSING TRUST FUND**



**Policy Guidelines**

**City of Asheville  
Community Development Division**

**Effective April 1, 2010**  
*(Last updated November 10, 2015)*

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# **HOUSING TRUST FUND POLICY GUIDELINES**

## **I. Introduction**

The City of Asheville Housing Trust Fund program was established in September 2000 with the goal of providing low cost financial assistance to incentivize the development and preservation of affordable housing within the city limits.

The City of Asheville continues to offer low interest loans for the creation of new affordable units. Professional real estate developers are encouraged to apply when constructing housing for low-income persons. All financing will be provided in the form of loans. Grants will not be made from the Housing Trust Fund.

## **II. Housing Trust Fund Priorities**

The following affordable housing priorities have been established for the fund:

- Rental housing will be prioritized over homeownership projects with the goal toward a minimum of 75% of the annual appropriations to rental projects (as averaged over the most recent three (3) year period).
- Developers seeking lower per-unit subsidies will be given more priority in the scoring model.
- Projects with final planning and zoning approval are preferable (but not required).
- One-bedroom and efficiency (studio) units are most needed and will be given higher priority in the evaluation process.
- Multi-family properties are preferred over single family development.
- Projects developed along transit corridors will receive more points in the scoring process.
- Density and large-scale developments are prioritized in the scoring model.
- Projects achieving the highest energy efficiency (as determined by an outside rating agency) will receive more points in the scoring process.

## **III. Eligibility**

### **A. Eligible Developers**

The following persons and organizations may apply for financing:

1. For-profit Corporations, Partnerships, or Sole Proprietors.
2. Private incorporated non-profit agencies with IRS 501(c) designation.
3. Public Housing Agencies
4. State and Local Governments.

## **B. Eligible Activities**

The following types of projects will be eligible for assistance:

1. Construction of new housing for sale or rental, including land acquisition and hard costs. (Note: *Homeownership developments are eligible for short-term construction loans only. Long term amortizing loans are available only for the development of rental housing*).
2. Conversion or adaptive reuse of existing non-residential structures for housing.
3. Rehabilitation of existing substandard multifamily housing units that do not meet the City's minimum housing code. *Single family residences and duplexes are ineligible.*
4. Rehabilitation or conversion of market rate multifamily developments to affordable housing. (Note: *A conversion project must result in minimal displacement of current residents and the impact on the existing workforce housing stock must be negligible.*)
5. Manufactured housing and Modular construction. Manufactured units must be titled as real property, comply with all City codes, and be attached to a permanent foundation.
6. Housing Trust Funds are not available for individuals seeking to build or renovate their own home.
7. A minimum of 20% of the total project units must be affordable for the proposed development to be eligible for financing
8. Affordable units that have been pledged to the City in exchange for a density bonus, conditional zoning, conditional use permit, or other special consideration will be ineligible for financing. Additional affordable units over and above the units already pledged to the City will be considered for financing provided that a minimum of 20% of the total project will be affordable.
9. Projects must be located within the Asheville City limits to be eligible for assistance.

All completed housing must meet state and local building codes. At the City's discretion, a certified third party cost analysis may be required following completion of the project.

## IV. Affordability

### A. Affordability Definitions\*

To be considered “affordable”, housing must meet the following criteria:

1. Homes for sale must be sold to buyers whose total housing obligation (principal and interest repayments, taxes, hazard insurance, and mortgage insurance) does not exceed 30% of the buyer’s household income. The buyer’s total household income cannot exceed the area median income, as established by the US Department of Housing and Urban Development, by household size.

2. Rental units must be rented at or below the maximum program rents *and* tenants must have household income below 80% of area median income adjusted for family size, or 60% of area median income if the project qualifies under the Special Terms provisions in Section C, below .

\*Appendix 1 provides information on income levels and rents that meet these guidelines.

### B. Affordability Period

1. Construction Financing- Construction loans will require a minimum of three (3) years affordability from the date that the Occupancy Certificate is issued on each unit.

2. Permanent Financing- The required period of affordability for all long term financing will be directly proportional to the loan term (i.e. Developers requesting a 20 year loan term will be required to keep rents affordable for 20 years).

## V. Loan Terms

### A. Maximum Loan Amount

The maximum loan amount available to each developer from the Housing Trust Fund is dependent on the amount of subsidy requested for each affordable unit.\* Table 1 below reflects the maximum amount of financing that can be requested. Loan requests that exceed \$20,000 per affordable unit will not be accepted:

Table 1

Per-unit Subsidy Requested	Maximum Loan Amount
More than \$20,000	Ineligible
\$15,001 to \$20,000	\$150,000
\$10,001 to \$15,000	\$200,000
\$ 5,001 to \$10,000	\$300,000
Less than \$5,000	\$500,000

*\*Note: If a 2<sup>nd</sup> application is received for the same project at a later date, the subsidy will be calculated on the total amount financed and the total number of affordable units provided. All loan requests are subject to the availability of funds and may be reduced if resources are insufficient to meet the request.*

## **B. Loan Structure**

1. All permanent financing for rental housing will be in the form of secured loans for a term up to thirty (30) years. The Housing Trust Fund will not make grants, forgivable loans, or indefinitely deferred loans. All construction loans will be due and payable 24 months from the date of initial loan closing.

2. Interest will be charged at rates in accordance with Table 2 below\*.

**Table 2**

<b>Number of Affordable Units</b>	<b>Interest Rate</b>
1-9	4.50%
10-19	3.00%
20-29	2.50%
30+	2.00%

\*NOTE: The City reserves the right to adjust interest rates in response to changing economic conditions.

## **C. Special Terms**

Loans will be fully amortizing at the rates reflected in Table 2 above, *except that*:

1. Loans for rental housing restricted to families earning less than 60% of the area median income, and with rents affordable to that population, may be amortized at 0.00% interest **or** interest-only at 2% with principal deferred for up to 20 years.
2. Interest on construction loans may be deferred until the loan principal is due.
3. Please note that soft second mortgages to Homebuyers have been discontinued.

## **VI. Application Process**

The City of Asheville maintains an open application process for the Housing Trust Fund. Applications are accepted at any time throughout the fiscal year; however, loan approvals remain subject to the availability of funds and projects must demonstrate support of the City's strategic housing goals.

- 1. A \$300.00 non-refundable application fee must accompany each loan application.**

2. All applications must meet a minimum scoring threshold prior to review by the Housing and Community Development Committee (HCD). Please see application for details.
3. All financing sources must be identified (not necessarily secured) within three (3) months of application.
4. All projects with projected costs greater than \$5,000,000 or with more than thirty (30) units must submit a third party cost analysis or cost estimate.
5. All projects with projected costs greater than \$5,000,000 or with more than thirty (30) units must submit an independent market study.
6. The following values should be used when completing the Operating Pro Forma:
  - 5% Vacancy Factor for all years.
  - 3% Annual operating expense increase.
  - 3% Annual operating income increase.
  - Replacement cost reserves equal to \$250 per unit per year.
7. Project site plan and elevations must be included in the application. Staff will make these available for review to residents of neighborhood near the proposed development, in cooperation with City Planning staff and neighborhood organizations where they exist.
8. All applications will be reviewed within ten (10) days of receipt. Those meeting the minimum scoring threshold will be placed on the agenda for the next HCD meeting at which time a staff recommendation will be made. The applicant is encouraged to attend and will have the opportunity to respond to all project-related questions.
9. Those projects approved by the Housing and Community Development Committee will be placed on the next available City Council Agenda where staff will present the request for final approval. It can be anticipated that the time from application to final approval may take 30-60 days.

## **VII. Underwriting**

1. Projects must be scheduled to break ground or spend at least 10% of total project costs within twelve (12) months of application.
2. All financing commitments must be secured prior to closing.
3. With the exception of Low Income Housing Tax Credit projects and non-profit agencies, credit reports, personal tax returns, and financial statements will be required for all principals, partnerships, and majority members holding more than 19.9% ownership in the organization.
4. A property appraisal dated no later than six (6) months prior to closing will be required. If the appraisal reflects a total loan-to-value (TLTV) of more than 95%, the City may require a pledge of additional equity or other assets prior to closing.
5. Applications will be reviewed by City staff. Staff will underwrite applications and score them. Outside underwriting assistance may be

sought by City staff at the request of the City Community Development Director.

6. Public comment on proposed site plans and elevations will be considered as part of the underwriting process.
7. Conditional loan commitments will be issued upon final loan approval for a period of ninety (90) days. Staff may extend commitments up to six (6) months with the provision of updated construction timelines and satisfactory explanation for construction delay(s). Extensions greater than six (6) months will require approval by the Housing and Community Development Committee.
8. If the risk of loss appears high, a loan may be denied despite the proposed project meeting other goals and objectives of the City.

### **VIII. Closing and Funding**

1. Closing can occur only after City Council Approval.
2. If funds are needed at closing (e.g. land acquisition), the City will require a minimum of fourteen (14) days advance notice to allow time for check processing.
3. All closings will be scheduled by the developer at a closing attorney's office of their choice.
4. Personal loan guarantees will be required from all persons holding more than 19.9% interest in the organization. (*Does not apply to non-profit organizations and Low Income Housing Tax Credit Projects*).
5. The City will require a final survey, title commitment, and satisfactory Phase I environmental review five (5) days prior to closing. (NOTE: *If the Phase I Environmental suggests that a Phase II review is necessary, closing will be delayed until the Phase II has been completed.*)
6. The City will require evidence of property insurance five (5) days prior to closing- including a General Liability policy with employee dishonesty/crime coverage (showing the City of Asheville as an additional insured).
7. The developer must provide a projected draw schedule five (5) days prior to closing.
8. The developer must demonstrate full site control at least five (5) days prior to closing.
9. A W-9 Form will be required for each applicant (**Appendix 7**).
10. A closing protection letter will be required from the closing attorney.
11. The City will consider subordinating to the construction lender only upon receipt of an appraisal and verification of the senior loan terms. Subordinations are neither routine nor automatic. The City will subordinate below second lien position only if our collateral provides adequate protection. In no case will the City subordinate below third lien position.
12. Funds will not be disbursed at closing except for land acquisition. All loans will be structured as a line of credit, and funds must be drawn down proportionately with other financing sources.



## **IX. Post Closing**

1. All disbursements are made on a reimbursement basis only and supporting documentation (i.e. paid invoices) must be provided with each draw request.
2. Eligible costs will be limited to land acquisition and “hard costs” only. Eligible “hard costs” include costs for the visible improvements- line items like grading, site improvements\*, excavation, concrete, framing, electrical, carpentry, roofing, and landscaping (e.g. “brick and mortar” expenses). \*NOTE: *Site improvements may include new on-site improvements (sidewalks, parking lots, utility connections, sewer and water lines, etc.) where none are present. Off-site infrastructure (such as sewer and water lines in a public street in front of the property) is not an eligible expense.*
3. Staff will conduct an on-site inspection of the property with each Draw Request received. All materials included in the Draw Request must be installed.
4. Staff will periodically interview persons working on-site.
5. Failure to keep the property and improvements free from all liens for services, labor, and materials will be a condition of default.
6. Household income qualification must be fully documented and will be required prior to sale or lease-up for each potential buyer/tenant.
7. A copy of the settlement statement or lease agreement will be required for each initial occupant and must be provided to the City prior to tenants/buyers taking possession of the property.
8. All recipients of City funds are subject to on-site monitoring visits throughout the period of affordability. Annual rent and tenant income certifications will be required for all rental properties on December 1<sup>st</sup> of each calendar year.

## **X. Affirmative Marketing**

The City will require all developers to abide by Fair Housing principles, which prohibit discrimination on the basis of race, age, gender, religion, national origin, disability, or familial status. Units constructed with Housing Trust Fund assistance must be openly marketed to ensure fair housing choice, with the exception of employer-assisted housing, which may be marketed specifically to employees of the sponsor of the housing. Owners of rental housing must not discriminate against tenants with Section 8 Housing Choice Vouchers and are encouraged to list all available rental properties at [www.SocialServe.com](http://www.SocialServe.com).

## **XI. Minority Business Participation**

The City has adopted a Minority Business Plan to encourage participation by minority and women-owned businesses in City-assisted projects. The City's Minority Business Plan can be found at:

[http://www.ashevillenc.gov/business/business\\_with/minority\\_business](http://www.ashevillenc.gov/business/business_with/minority_business) or you may request a copy from the Community Development Staff.

# APPENDIX 1

## AFFORDABILITY REQUIREMENTS

(Effective January 1, 2016 – Proposed\*)

### Maximum Program Rents:

Unit Size	Maximum Rent Standard*	Utility Allowance***	Maximum Rent to Tenant
Efficiency/Studio Units	639	81	558
One Bedroom Units	722	86	636
Two Bedroom Units	890	106	784
Three Bedroom Units	1,165	125	1,040
Four Bedroom Units	1,477	145	1,332

### Maximum Program Rents for Special Terms (60% AMI and below):

Unit Size	Rent Standards for Special Terms**	Utility Allowance ***	Maximum Rent to Tenant
Efficiency/Studio Units	588	81	507
One Bedroom Units	630	86	544
Two Bedroom Units	756	106	650
Three Bedroom Units	872	125	747
Four Bedroom Units	973	145	828

\* Maximum program rents will be indexed to the Housing Authority of the City of Asheville Voucher Payment Standards, updated annually in January. **The rents above are based on the 2016 proposed standards. Rent standards will be finalized in January, and all projects receiving Housing Trust Funds must reflect the final standards.** This appendix, and our website, will have the final rent standards when they become available.

Monthly rents charged to the tenant are inclusive of utilities. The maximum rent charged cannot exceed the "maximum rent standard" less the average utility allowance. All tenants must earn less than 80% of the Area Median Income, adjusted for household size.

\*\*Maximum program rents *for special terms* will be indexed to the 60% HOME rent limits, which are published annually, typically in November. Monthly rents charged to the tenant are inclusive of utilities. The maximum rent charged cannot exceed the rent standards for special terms "less the average utilities allowance. All tenants must earn less than 60% of the Area Median Income, adjusted for household size.

\*\*\*The utility allowance is based on the average fees and costs in Asheville for multifamily units. These estimates are currently updated annually in January for the Housing Authority of the City of Asheville. The allowance above assumes natural gas for both cooking and heating, and also includes standard monthly fees for water, sewer, and trash collection. **Please adjust the current utility allowances to fit your particular project. Current average utility allowances, provided by HUD, are found in Appendix 8.** Owners/developers are welcome to submit actual expense reports to the City following 12 months of occupancy. If actual documented utility costs are lower, an adjustment to tenant rents may be granted at the City's discretion.

## **Income limits**

<b>Household Size</b>	<b>100% of median income</b>	<b>80% of median income</b>	<b>60% of median income</b>
1	39,200	31,360	23,520
2	44,800	35,840	26,880
3	50,400	40,320	30,240
4	55,900	44,720	33,540
5	60,400	48,320	36,240
6	64,900	51,920	38,940

## **Notes**

1. Homes built for sale must be sold to buyers earning less than 100% of the area median income adjusted for household size, and whose total housing obligation (principal and interest repayments, taxes, insurance, and mortgage insurance) does not exceed 30% of the buyer's household income.
2. Homes built for rent, must have rents at or below **the Maximum HTF Rent to Tenant listed above**, and the first tenants must have income below **80% of median income**.
3. To be eligible for a HTF loan at the most favorable terms (0% interest or interest-only at 2% with principal deferred); rental units must be restricted to tenants with household income below **60% of median income** and rented at or below the **Maximum Program Rent for Special Terms** listed above.
4. Income limits and rents will be reviewed annually on January 1<sup>st</sup>.
5. Please note that setting sales prices or rents very close to the maximum allowed will limit your market of eligible buyers or tenants. It is your responsibility to assess market demand for your units.
6. The affordable units may not be sold or rented to relatives or business associates of the developer.
7. **Failure to comply with affordability requirements will cause the interest rate on the HTF loan to be accelerated and made retroactive to the date of loan disbursement.**